BRITISH COLUMBIA POWER CORPORATION LIMITED

ANNUAL REPORT

1937

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BRITISH COLUMBIA POWER CORPORATION
LIMITED

ANNUAL REPORT

For the year ended June 30th
1937

1937

BRITISH COLUMBIA POWER CORPORATION LIMITED

Officers

W. G. MURRIN - - - - - - - - - - - - *President*
A. T. GOWARD - - - - - - - - - - - - *Vice-President*
E. H. ADAMS - - - - - - - - *Vice-President and Treasurer*
E. ROGERS - - - - - - - - - - - - - *Secretary*

Directors

E. H. ADAMS
C. E. CALDER
JOHN DAVIDSON
S. GODIN, JR.
A. T. GOWARD
J. H. GUNDY
ANDREW P. HOLT
SIR HERBERT HOLT
GEORGE KIDD
H. R. MACMILLAN
W. G. MURRIN
A. J. NESBITT
AUSTIN C. TAYLOR
P. A. THOMSON
J. B. WOODYATT

THE ROYAL BAND OF CANADA - - - - - - - - - *Bankers*
ROYAL TRUST COMPANY - - - - - - - - - - *Registrar*
MONTREAL TRUST COMPANY - - - - - - - - *Transfer Agent*
PRICE, WATERHOUSE & CO. - - - - - - - - *Auditors*

Head Office of the Corporation

B. C. ELECTRIC BUILDING
Vancouver, B. C., Canada

FACTS ABOUT YOUR CORPORATION AND ITS SUBSIDIARIES

(As at June 30th, 1937)

1. It serves a territory of over 1,500 square miles;
2. It renders service to a population of over 400,000, embracing 28 different communities;
3. It has 11 hydro-electric plants and 3 steam plants;
4. It has 79 substations and transformer stations;
5. It has 635 miles of high-tension transmission lines;
6. It has 2,767 miles of distribution pole lines;
7. It has 43 city street car and bus routes;
8. It has 4 interurban lines;
9. It employs 3,750 people;
10. It paid out in wages and salaries during the year more than $5,700,000;
11. It operates 192 miles of street car lines;
12. It operates 156 miles of interurban lines, a total of 348 miles;
13. It operates 422 city and interurban passenger cars;
14. It operates 11 electric locomotives;
15. It operates 173 express freight and service cars;
16. It operates 79 motor buses and 23 motor freight trucks;
17. It operates 412 miles of motor bus and 107 miles of motor freight service;
18. It operated 17,596,410 passenger car and bus miles during the year;
19. The power generated by its power plants during the year totalled 568,041,118 K.W.H.;
20. It operates 11 stores for the sale of electric and gas appliances;
21. It has 3 gas plants, with a total daily capacity of 12,500,000 cubic feet.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Vancouver, B. C., September 2nd, 1937.

NOTICE IS HEREBY GIVEN to the Holders of the Corporation's Class "B" Shares that the Annual General Meeting of Shareholders will be held in the Auditorium of the B. C. Electric Building, 602 Granville Street, Vancouver, B. C., on Thursday, the 23rd day of September, 1937, at the hour of 11.30 o'clock a.m.

(1) To receive the Annual Report of the Directors;

(2) To receive the Audited Balance Sheet made up to June 30th, 1937, and Statement of Income and Expenditure for the financial period ending on that date;

(3) To elect Directors for the ensuing year;

(4) To appoint Auditors for the ensuing year;

(5) To consider, and, if thought fit, to sanction and confirm the following Bylaw:

BYLAW No. XXVI

A Bylaw amending Bylaw No. XI, being part of the General Bylaws of the Company.

WHEREAS the second paragraph of Bylaw No. XI provides that:—

"The President or a Vice-president, and the Secretary or Treasurer, shall sign all certificates of stock and all deeds, documents and other instruments requiring execution by the Company, unless otherwise ordered by the Board of Directors by resolution, provided, however, that the signature of the President or Vice-president may be lithographed or engraved upon all bonds, debentures, and certificates of stock or other securities of the Company."

AND WHEREAS it is deemed expedient that the signature of the Secretary or Treasurer may also be lithographed or engraved upon all bonds, debentures, and certificates of stock or other securities of the Company:

NOW THEREFORE British Columbia Power Corporation Limited, by the Directors thereof, enacts as follows:

That Bylaw No. XI of the Company be amended by deleting the whole of the second paragraph thereof and substituting the following:

"The President or a Vice-president, and the Secretary or Treasurer, shall sign all certificates of stock and all deeds, documents, and other instruments requiring execution by the Company, unless otherwise ordered by the Board of Directors by resolution, provided, however, that the respective signatures of the President or Vice-president and the Secretary or Treasurer may be lithographed or engraved upon all bonds, debentures, and certificates of stock or other securities of the Company."

(6) For the transaction of such other business as may legally come before the meeting.

By Order of the Board,

ERNEST ROGERS,
Secretary.

NOTE.—By the charter of the Company only holders of Class "B" shares are entitled to attend at the Annual General Meeting of Shareholders, and accordingly the above notice is given to such shareholders only.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

Owns and controls the following companies:

British Columbia Electric Railway Company, Limited.

British Columbia Electric Power & Gas Company, Limited.

Vancouver Power Company, Limited.

Western Power Company of Canada, Limited.

Bridge River Power Company, Limited.

Burrard Power Company, Limited.

Vancouver Island Power Company, Limited.

National Utilities Corporation, Limited.

Vancouver, Fraser Valley & Southern Railway Company.

Columbia Estate Company, Limited.

British Columbia Rapid Transit Company, Limited.

Victoria Electric Company, Limited.

Victoria Gas Company, Limited.

ANNUAL REPORT

of the Directors of

BRITISH COLUMBIA POWER CORPORATION, LIMITED

for the year ended June 30th, 1937

To the Shareholders:

Your Directors beg to submit the following Report and Financial Statements covering the operations of your Company and its Subsidiaries for the year ended 30th June, 1937.

In reviewing the operating results for the past year it may be pointed out that the operating companies comprising the B. C. Power Corporation Group supply power, light and transportation or gas services under franchises or agreements with twenty-eight different municipalities, covering an area of 1,500 square miles on the mainland of British Columbia and on Vancouver Island.

During the forty years that these services have been rendered it has been necessary to maintain a satisfactory credit position, so that the capital to provide the facilities made necessary by the growth of the community could be obtained on the most reasonable terms.

To adequately supply the needs of the 400,000 people resident in the area served there has been provided plant and equipment, which the Stone & Webster Engineering Corporation of Boston, Massachusetts, value, as of December, 1936, on the basis of reproduction cost, as a going concern, less observed depreciation, at $131,802,312.

To maintain and operate the services referred to required the employment during the year of 3,750 people, to whom $5,700,000 were paid in wages. The conditions under which our people are employed are of a very high standard, and the fact that they are well paid is a contributing factor to the prosperity of the districts in which they reside.

Your Company provided during the current year the sum of $1,658,242 to meet liabilities for taxes to the Dominion, Provincial and Municipal authorities. In addition to the foregoing there are expended for materials and supplies substantial sums of money annually, which naturally vary with construction activity. During

the current year these purchases amounted to over $4,000,000. It has always been the policy of the Company to purchase supplies locally to the extent that such supplies were available in the cities and districts being served.

The substantial amounts of money expended annually in the form of wages, purchases and taxes are a material contribution to local prosperity, and the extent to which our business has grown in its many branches of public service has made it an important factor in the economic development of the Province.

GROSS REVENUE

The revenue from all sources for the current year shows an increase of $957,832, or 6.87%, over last year, while the expenses of operation and maintenance, including taxes and depreciation, show an increase of $646,248, or 6.62%, in the same period.

INCOME AND EXPENSE STATEMENT

Gross Revenue		$14,908,788.39
EXPENSES:		
Operating Expenses	$6,806,504.92	
Income and Property Taxes	1,658,242.06	
Depreciation and Renewals Reserve	1,940,955.02	
		10,405,702.00
Net Revenue		$ 4,503,086.39
Deduct—		
Bond Interest, proportion of Bond Discount written off, Cost of Exchange, and Preference Dividends		2,736,857.51
		$ 1,766,228.88
Dividends on Class "A" Shares for the year		1,700,000.00
Surplus for the year		$ 66,228.88

REVENUE

The improvement in general business conditions is reflected in the revenue of all departments. During the year 3,427 additional electric customers were added to our lines, while the electric motor load was increased by 10,300 horse power. Electric and gas consuming appliances having a retailed value of $885,820.00 were sold to customers during the year, with resultant benefit to the revenues of the electric and gas departments. A scheme of dealer co-operation was put into effect during the year, whereby retail merchants engaged in the electrical and gas merchandise business have united in a common plan. This plan has met with the whole-hearted support of the local merchants, and has added a desirable measure of goodwill as well as additional revenue.

Railway passenger revenues show a gain of 5% over last year, due to extension of services, additional mileage operated, and an increase in passengers carried, due in part to the Jubilee celebrations in Vancouver last year.

EXPENSES

An important factor contributing to the increase in expenses is increased wages. A new wages agreement covering the majority of our employees was entered into early in the year for a period of three years. This agreement grants to hourly paid employees an annual vacation with pay, and other adjustments in wages and working conditions.

While all plant and equipment has been kept in first class operating condition, it was necessary during the depression years to defer certain items of plant maintenance and renewals. The expenditures in this connection have been heavier than usual this year and are reflected in the additional cost of operation and maintenance.

There is provided in this year's accounts, for income and property taxes, the sum of $1,658,242, which is an increase of $95,000 over last year. The taxes paid or payable in respect of this year will absorb 11% of the gross revenue, without taking into account sales, gasoline, and other taxes, which amount to a very considerable sum.

BALANCE SHEET

Appraisal of Properties—Reference was made in last year's report to the appraisal of all properties which was being carried out by Messrs. Stone & Webster Engineering Corporation of Boston, Massachusetts. The work of making a detailed inventory of our plant and equipment was naturally a large undertaking, but the work is now completed and, on the basis of reproduction cost as at 31st December, 1936, less observed depreciation and including $15,000,000 for going-concern value, Messrs. Stone & Webster have appraised the property at a value of $131,802,312 as of that date.

Refunding of Bonds—It was deemed expedient, in view of the availability of money at lower interest rates, to refund the B. C. Power Corporation 5% and 5½% bonds, which were payable at the option of the holder in Canadian, Sterling or United States funds. These bonds have been replaced by short-term issues bearing 3% and 3½% interest, and by an issue of 4¼% bonds maturing in 1960, payable only in Canadian funds. This refunding effects a substantial saving in annual interest charges, and removes the uncertainty with regard to foreign exchanges. The discount on the bonds which were refunded, and which appeared in last year's balance sheet, has been written off against current revenue.

PLANT EXTENSIONS

The expenditures on the extension of plant facilities and services in the cities and in rural areas during the year amounted to $1,384,817. It has been decided, in order to keep abreast of the growing needs of the community, to proceed with the installation of the second electrical unit of 47,000 horse-power at the Ruskin hydro-electric plant, involving an expenditure of $1,500,000. This unit should be available for the winter power demand in 1938. The construction of the Grandview substation in Vancouver, in conjunction with the rearrangement of transmission facilities and the extension of the underground distribution system, involving an ultimate expenditure of $1,000,000, is proceeding satisfactorily, and accounted for an expenditure during the year of $342,690.

GENERAL OPERATIONS

Light and Power System—The following figures show the progress of this department:

	K.W.H. Sales	Meter Installations	Motor Load in H.P.
1937	423,384,644	132,640	183,696
1936	379,789,058	129,213	173,397

It has been the policy of the Company over many years to make reductions in rates whenever circumstances warranted, notwithstanding the higher costs of construction due to physical difficulties in the territory in which we operate, and the higher taxes and cost of labour and materials. Last year the City of Vancouver domestic rate was reduced by the introduction of a one-cent step. Lighting rates in the City of Victoria were reduced during the year, at an estimated annual saving to customers in that territory of $80,000.

Gas System—The quantity of gas sold compared as follows:

	Cubic Feet
1937	1,298,827,000
1936	1,236,376,000

During the year ten miles of gas mains were laid and 900 gas customers were added to the system. The revenue from the sale of gas shows an increase of $42,000 over last year, as the result of additional customers and increased merchandise sales.

Railway System—Additional equipment and extension of services have resulted in the operation of 391,800 additional passenger car miles during the year.

	Passengers Carried	Freight Hauled, Tons
1937	70,875,942	349,164
1936	67,381,447	298,225

There is an increase of approximately five per cent in the number of passengers carried and a corresponding increase in railway passenger revenue. The improved results in the railway freight department are due in part to additional tonnage handled over Canadian lines as a result of the ship and dock workers' strikes in United States Pacific ports last year. The lumber and wood products business has continued to be active and has added to the freight revenue.

STAFF

The duties of the staff in all departments have been carried out efficiently, and the Directors desire to record their appreciation of the efforts of all employees.

AUDIT OF ACCOUNTS

The Balance Sheet and Accounts have been certified by Messrs. Price, Waterhouse & Co., Chartered Accountants.

Respectfully submitted on behalf of the Board,

President.

Consolidated Balance Sheet

ASSETS

CURRENT AND WORKING ASSETS:		
Cash at Bank	$ 467,525.48	
Accounts Receivable	1,769,065.38	
Insurance Unexpired and Prepaid Items	195,030.66	
Employees' Housing Loans, Mortgages, etc.	200,491.22	
Stores, Materials and Supplies on hand as determined and certified by responsible officials of the Companies, valued at average cost	1,663,183.30	
		$ 4,295,296.04
INVESTMENTS:		
Government Bonds	$ 1,766,477.32	
Corporation's Shares purchased by Subsidiaries for re-sale to customers and employees	812,234.00	
Sundry Investments	5,220.00	
(Market Value, June 30th, 1937, $2,514,728.75)	$ 2,583,931.32	
City of Vancouver 3% Instalment Debentures, at cost	182,560.00	
		2,766,491.32
		$ 7,061,787.36
BOND REFUNDING EXPENSE:		
Premium and exchange on bonds redeemed, bond conversion expenses and discount on new bonds issued		1,193,583.84
PROPERTY ACCOUNT:		
Book values, which represent the cost of acquisition, and the cost of subsequent additions, including discount on bonds of $728,670.56, which is charged to Construction Accounts of Subsidiary Companies	$140,897,110.90	
Less Provision for Depreciation and Renewals	26,577,668.43	
		114,319.442.47

NOTE: An appraisal of the properties of the British Columbia Power Corporation, Limited and its Subsidiaries made by Stone & Webster Engineering Corporation of Boston, Massachusetts, as of December 31st, 1936, shows a total replacement cost as at that date (after a deduction for existing physical depreciation) of $131,802,312. This foregoing total includes an amount of $15,000,000 for going-concern value.

After adding the cost of property additions and deducting the depreciation provision made by the Corporation subsequent to December 31st, 1936, the properties on the basis of the above appraisal have a value at June 30th, 1937, of $132,381,955.15.

$122,574.813.67

Approved on behalf of the Board:

Director.

Director.

CORPORATION, LIMITED

SIDIARIES

as at June 30th, 1937

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:		
Accounts Payable	$ 1,411,759.68	
Reserve for Income and Other Taxes	1,263,837.48	
Debenture and Bond Interest Accrued	434,613.71	
Dividends Declared, since paid	699,600.00	
		$ 3,809,810.87
BOND DEBT (as per statement attached)		38,799,051.51
CAPITAL STOCKS OF SUBSIDIARY COMPANIES HELD BY PUBLIC:		
British Columbia Electric Railway Co., Ltd.—		
5% Cumulative Perpetual Preference Stock	$ 6,984,000.00	
British Columbia Electric Power & Gas Co., Ltd.—		
6% Cumulative Preference Shares	5,000,000.00	
The Company has the right to redeem these 6% Preference Shares with a premium of 5%, subject to the sanction of the Supreme Court of British Columbia.		
Minority Shareholders of Subsidiary Companies	3,446.25	
		11,987,446.25
RESERVES:		
General and Accident		1,307,110.18
CAPITAL:		
Authorized—		
1,500,000 Class "A" Shares without nominal or par value entitled to non-cumulative preferential dividends aggregating $2.00 per share and equal participation with Class B Shares up to a further $3.00 per share, redeemable at any time on resolution of Directors at $100.00 per share.		
1,500,000 Class "B" Shares without nominal or par value.		
Issued—		
1,000,000 Class "A" Shares and 1,000,000 Class "B" Shares issued for a total cash consideration of	$ 59,250,000.00	
CAPITAL SURPLUS:		
Surpluses of Subsidiary Companies as at May 19th, 1928, the date of the acquisition of their Capital Stocks by the Corporation	6,115,764.59	
EARNED SURPLUS:		
As per statement attached	1,305,630.27	
		66,671,394.86
		$122,574,813.67

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the Books and Accounts of the British Columbia Power Corporation, Limited and its Subsidiary Companies for the year ending June 30th, 1937, and have obtained all the information and explanations which we have required and we report that, in our opinion, the above Consolidated Balance Sheet at June 30th, 1937, is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Corporation and its Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

VANCOUVER, B. C.,
August 14th, 1937.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

AND SUBSIDIARIES

Consolidated Statement of Profit and Loss and Earned Surplus Account for the Year Ended June 30th, 1937

Gross Revenue from Operations	$14,788,281.04	
Income from Investments	120,507.35	
		$14,908,788.39
Deduct—		
Operating Expenses, including Municipal Taxes	$ 7,332,894.59	
Legal Fees and Executive Remuneration	97,492.50	
Directors' Fees	20,913.11	
Provision for Accidents	60,000.00	
Provision for Depreciation and Renewals	1,940,955.02	
Provision for Income Taxes	933,131.34	
		10,385,386.56
		$ 4,523,401.83
Deduct—		
Interest on Bond Debt	$ 1,765,573.42	
Cost of Exchange	28,292.09	
Appraisal Expense written off	20,315.44	
Discount on retired Bonds—Balance written off	293,792.00	
		2,107,972.95
Net Profit for the year		$ 2,415,428.88
Deduct—		
Dividends on Preference Stocks of Subsidiary Companies—		
5% Cumulative Perpetual Preference Stock	$ 349,200.00	
6% Cumulative Preference Shares	300,000.00	
		649,200.00
		$ 1,766,228.88
Deduct—		
Dividends on Class "A" Shares for the year ended June 30th, 1937		1,700,000.00
		$ 66,228.88
Add—		
Earned Surplus—Balance at June 30th, 1936		1,239,401.39
Earned Surplus—Balance at June 30th, 1937		$ 1,305,630.27

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

Bond Debt as at June 30th, 1937

BRITISH COLUMBIA POWER CORPORATION, LTD.:			
First Refunding and Collateral Trust Serial Bonds 3%, Series "A"—			
Authorized and Issued:			
Maturing March 1st, 1938	$400,000.00		
" March 1st, 1939	400,000.00		
" March 1st, 1940	400,000.00		
" March 1st, 1941	400,000.00		
		$ 1,600,000.00	
First Refunding and Collateral Trust Serial Bonds 3½%, Series "A"—			
Authorized and Issued:			
Maturing March 1st, 1942	$400,000.00		
" March 1st, 1943	400,000.00		
" March 1st, 1944	400,000.00		
" March 1st, 1945	400,000.00		
		1,600,000.00	
First Refunding and Collateral Trust Bonds 4¼%, Series "A"—			
Authorized and Issued:			
Maturing March 1st, 1960		10,800,000.00	
			$ 14,000,000.00
BRITISH COLUMBIA ELECTRIC RAILWAY CO., LTD.:			
4¼% Perpetual Consolidated Debenture Stock		£2,788,170 0 0	
		@ $4.85	13,522,624.50
VANCOUVER POWER CO., LTD.:			
4¼% Perpetual Guaranteed Debenture Stock—			
Authorized £1,917,350, of which issued		£1,500,000 0 0	
		@ $4.85	7,275,000.00
WESTERN POWER COMPANY OF CANADA, LTD.:			
First Mortgage 5% Sinking Fund Gold Bonds, maturing July 1st, 1949—			
Authorized and Issued		$ 5,000,000.00	
Less—			
Redeemed	$869,233.24		
Held by British Columbia Electric Railway Co., Ltd.	129,339.75		
		998,572.99	
			4,001,427.01
As per Consolidated Balance Sheet			$38,799,051.51

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